

The Members
Qrendi Local Council
7, Triq il-Knisja
Qrendi QRN 1103
Malta

5 June 2025

Dear Members of the Qrendi Local Council,

We have completed our audit of the financial statements of Qrendi Local Council for the year ended 31 December 2024. Our audit is primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation.

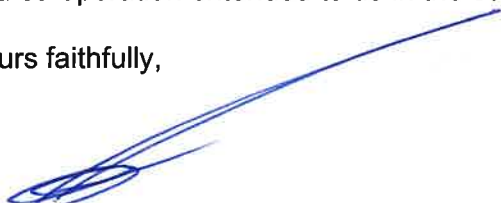
Our aim is to offer guidance to the Council such that it would be in a better position to improve its internal controls, enhance its book-keeping function and consolidate its overall governance. We would like to point out that, in accordance with the Local Councils Act (CAP 63) 1993 and the Local Council (Financial Regulation) 1993, it is the responsibility of the Executive Secretary of the Local Council to ensure that a proper system of internal control is in operation to ensure that the proper accounting, recording and handling of financial operations are in place to safeguard the Local Council's assets at all times. For this reason, this document is of particular relevance to the Local Council's Executive Secretary.

The matters dealt with in this report, came to our notice during the conduct of our audit procedures which are primarily designed for the purpose of expressing an opinion on the financial statements of the Council. In consequence our work did not encompass a detailed review of all aspects of the systems of control but that of obtaining an understanding of the controls which are in place, on the basis of which, we design our audit procedures. For this reason, this report cannot be relied upon to necessarily disclose other defalcations or other irregularities which may exist, had a specific and more extensive assignment for this specific purpose been commissioned. Our engagement obliges us to distribute copies of this report to the Council Members. Consequently, this report, in part or in full, may not be distributed, used or quoted except for the scope it is prepared, without our prior written consent, unless such disclosure is required by Law.

During the course of our audit for the year ended 31 December 2024, we examined the principal documents, systems and controls applied by the Council, to help it ensure, in so far as it is possible, far as possible, the accuracy and completeness of the accounting and to safeguard the assets of the Council.

In order to facilitate your responses to the deficiencies we noted in the course of our audit, have been presented these shortcomings in columnar form. On the left hand side of the document we specify the weaknesses and the recommended courses of action. On the right hand side you are required to insert the remedial action you intend to take and a time frame by which these will be remedied. We also attach for your perusal, a summary of the audit adjustments which we were put through the accounting records, once these were approved by yourselves. Should you require our assistance in bringing to fruition the suggested recommendations do not hesitate to contact us. We would like to thank you for the courtesy and co-operation extended to us in the course of our audit.

Yours faithfully,



Arthur Douglas Turner
Partner - Parker Russell Turner

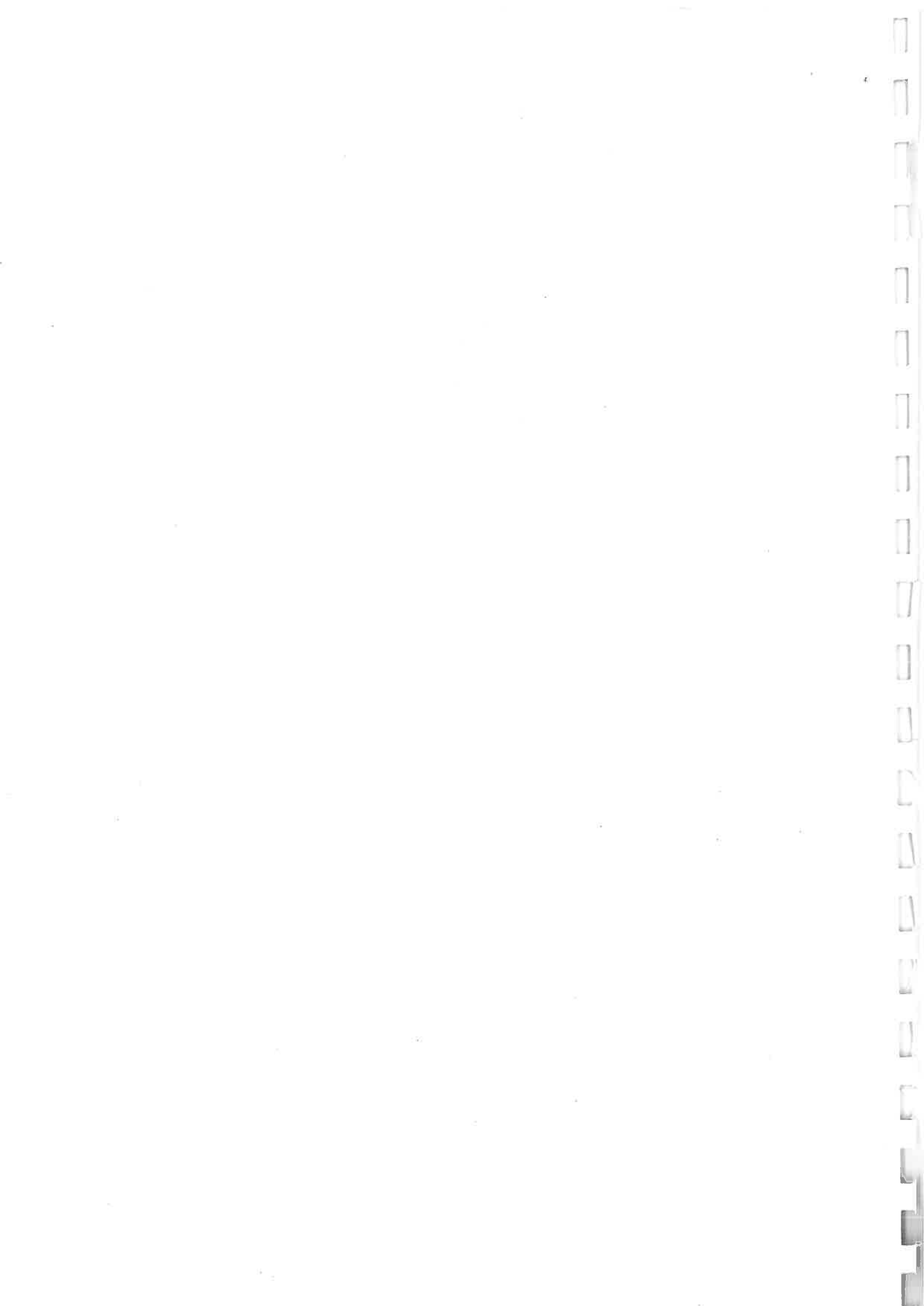


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AN INDEPENDENT MEMBER OF



PREVIOUS MANAGEMENT LETTER

During the course of our audit for the year ended 31 December 2024, we have also reviewed the points highlighted in the previous management letter along with their respective feedback:

i. Property, Plant and Equipment

We have once again noted shortcoming in property, plant and equipment as noted in pages 4 to 6. Further issues were encountered during the year.

ii. Trade and other receivables

We have, once again noted differences between the amount due on accounts and the statement provided from Waste Serve Malta Ltd, which also relates to a long outstanding receivable, as per note 3 on pages 7 and 8.

iii. Cash in hand and at bank

We have once again noted deficiencies in cash as explained in note 4 under page 8 and 9.

iv. Capital Commitments

No improvements were noted after our recommendation in the prior year. Kindly refer to note 6 on page 11.

v. Revenue

We have once again noted various issues which were noted under note 7 on pages 12 and 13.

vi. Debit Transactions

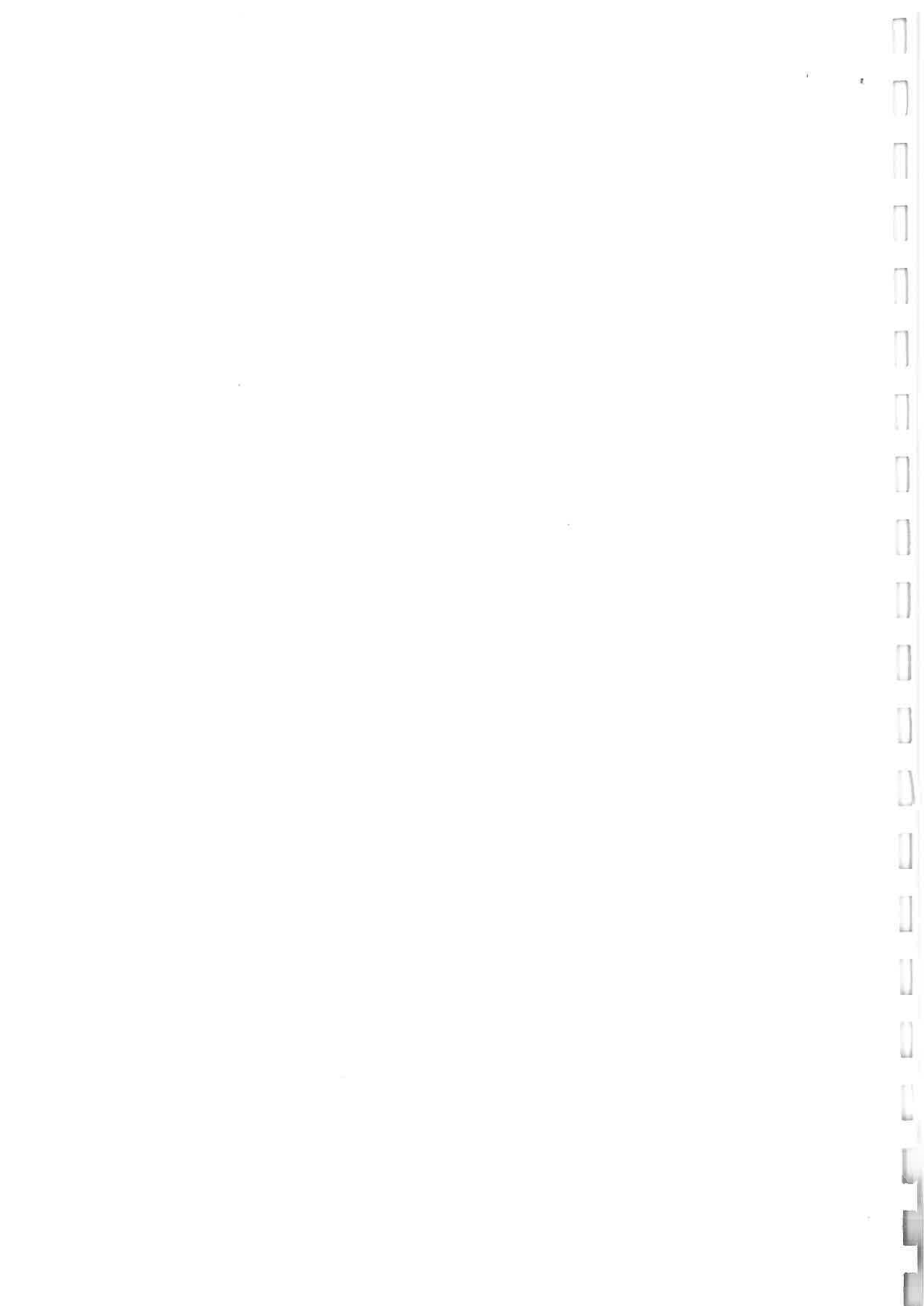
We have once again noted various issues which were noted under note 8 on pages 13 to 16.

vii. Payroll and Human Resources

We have once again noted various issues which were noted under note 9 on pages 17 and 18.

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024





viii. Presentation of the financial statements

Improvements were noted.

ix. Bookkeeping and accounting issues

No improvements were noted from prior year.



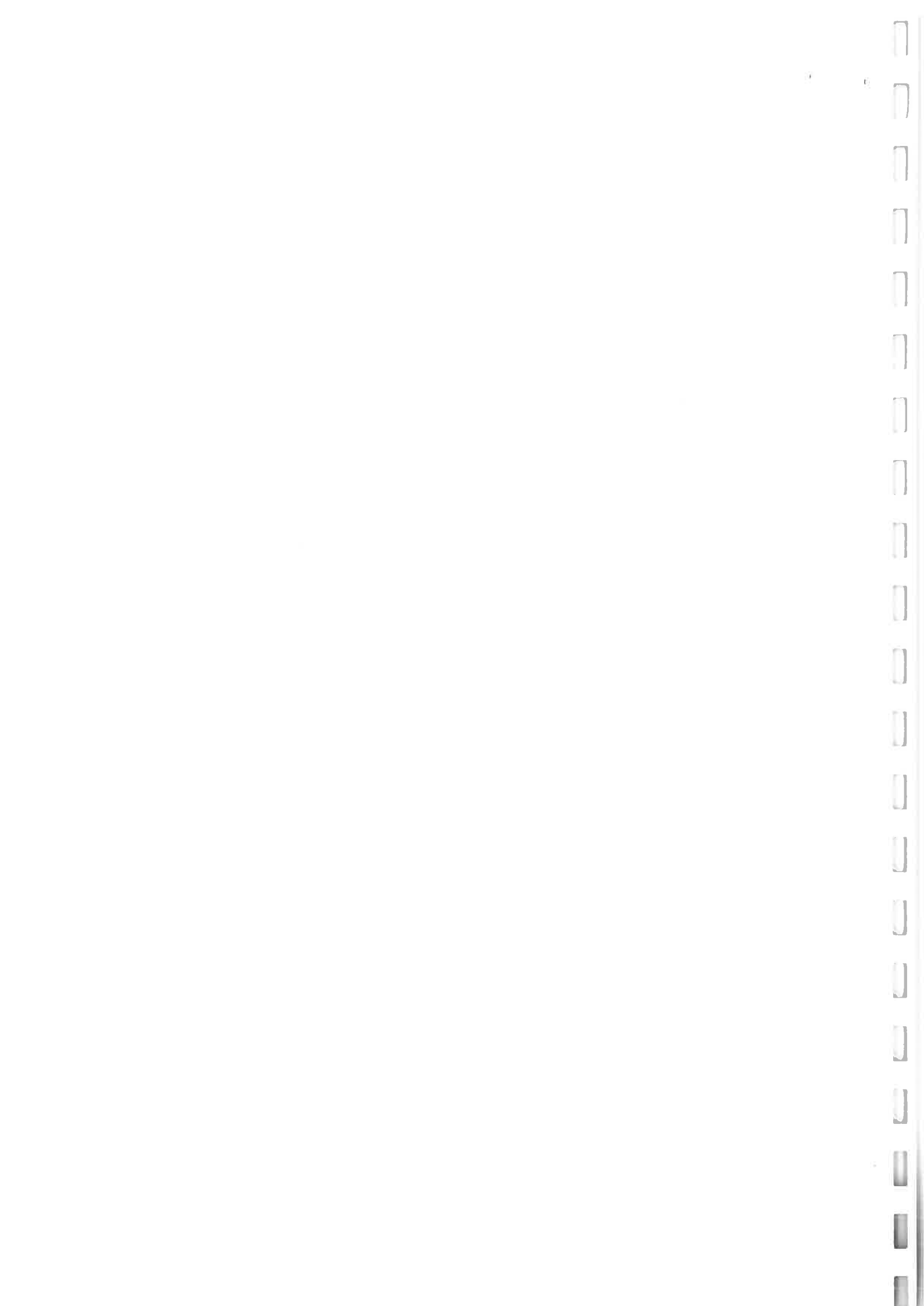
Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024

A summary of the deficiencies noted in the course of our audit and our recommendations thereto is as follows:

1. *PROPERTY, PLANT AND EQUIPMENT*
2. *FINANCE LEASES*
3. *RECEIVABLES*
4. *CASH IN HAND AND AT BANK*
5. *PAYABLES*
6. *CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES*
7. *REVENUE*
8. *DEBIT TRANSACTIONS*
9. *PAYROLL AND HUMAN RESOURCES*
10. *PRESENTATION OF FINANCIAL STATEMENTS*
11. *BOOKKEEPING AND ACCOUNTING ISSUES*
12. *OTHER MATTERS*
13. *CONCLUSIONS*

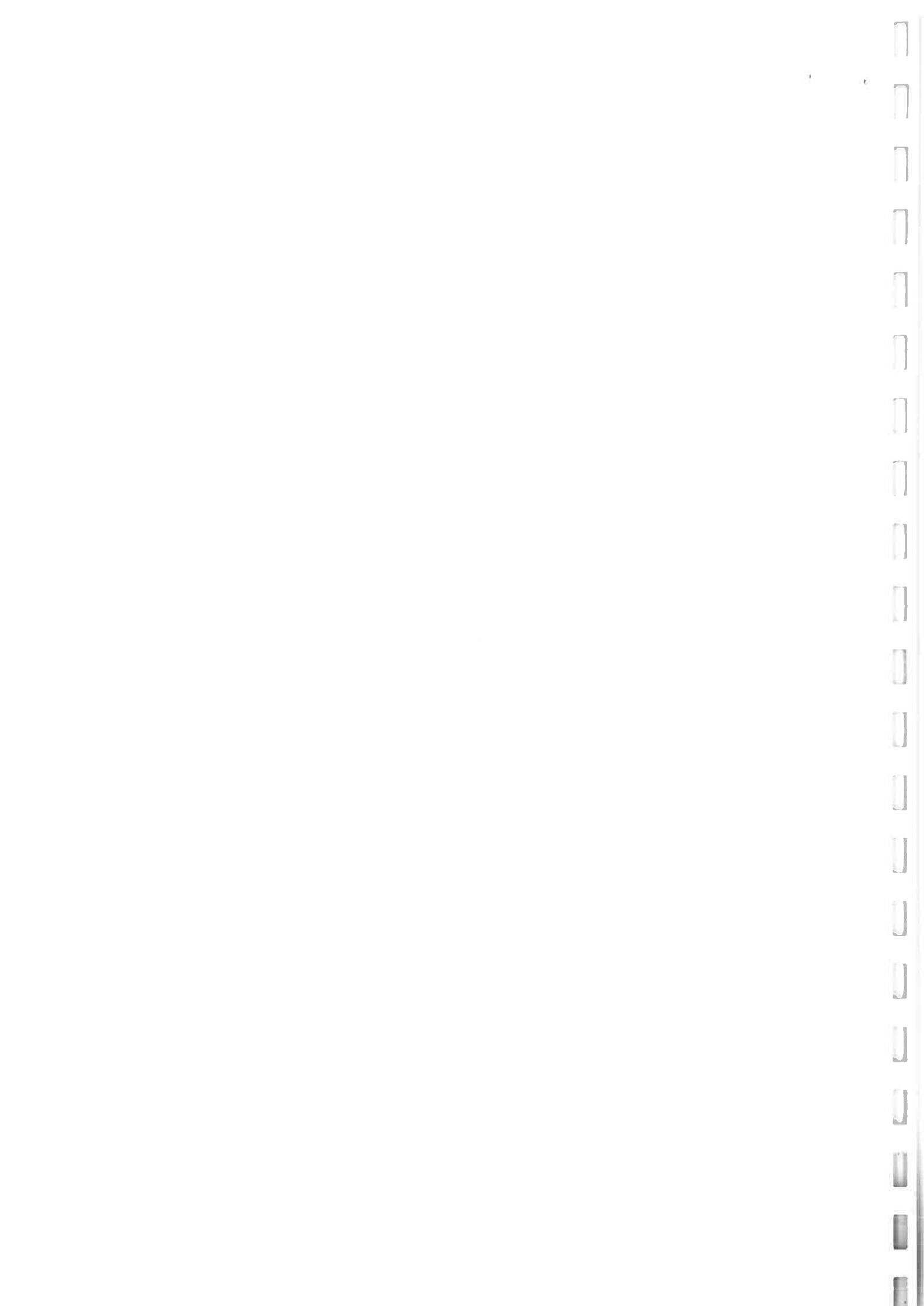
Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024





WEAKNESS NOTED / RECOMMENDED IMPROVEMENT	QRENDI LOCAL COUNCIL REPLIES
<p>1 PROPERTY, PLANT AND EQUIPMENT</p> <p>1.1 Fixed Asset Register</p> <p><i>Weakness</i></p> <p>1.1.1 Despite the fact that the Council has taken the necessary measures to compile a fixed asset register, we noted that the system is manual and is not robust enough to incorporate all asset types, category and location, linked to a labelled physical asset. Furthermore, the manual system is not integrated with the Fixed asset Module and to the General Ledger of the accounting software. This not only leads to duplication of effort in keeping one's records in order, but can also result in incorrect postings to the General ledger, due to human error.</p>	
<p><i>Recommendation</i></p> <p>1.1.2 We strongly believe that the fixed asset register should be kept electronically, using the appropriate available software. This should be synchronized within the accounting system.</p>	

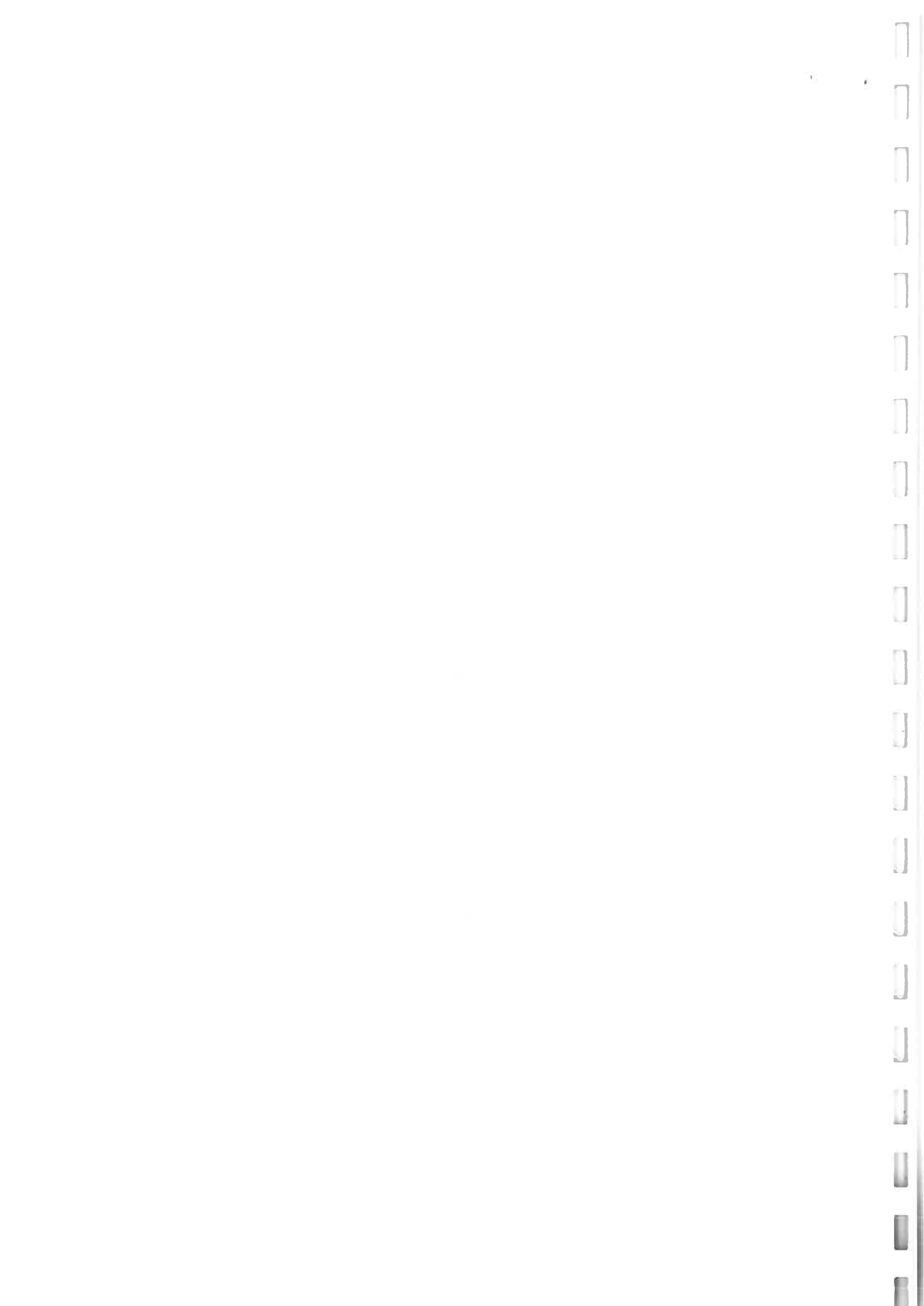




<p>1.1.3 We strongly recommend that the fixed asset register implementation process is discussed in details with your IT service provider and the accountant in charge in order to adapt the software necessary for the needs of the Council and incorporate the integration of the plant registry within the general ledger.</p>	
<p>1.2 Capital Grants</p> <p><i>Weakness</i></p> <p>1.2.1 Whilst testing Other Government Income, it was noted that capital grant received from LESA and Water Services in relation to works carried out under the scheme 'Progetti fil-Komunita' 2022' amounting to Eur 56,766 was incorrectly included as income instead of being capitalized. Further, related architect's fees amounting to Eur 5,200 were not capitalized but included as an expense under 'Studies and Consultations'. This has lead to incorrect depreciation charge and amortization of grants. We accounted for the adjusted amounts at audit level.</p> <p><i>Recommendation</i></p> <p>1.2.2 We recommend that more attention is affected in the updating of accounting records to segregate properly between other income and capital expenditure, apart from the fact that these are continuously updated to the fixed asset register.</p>	

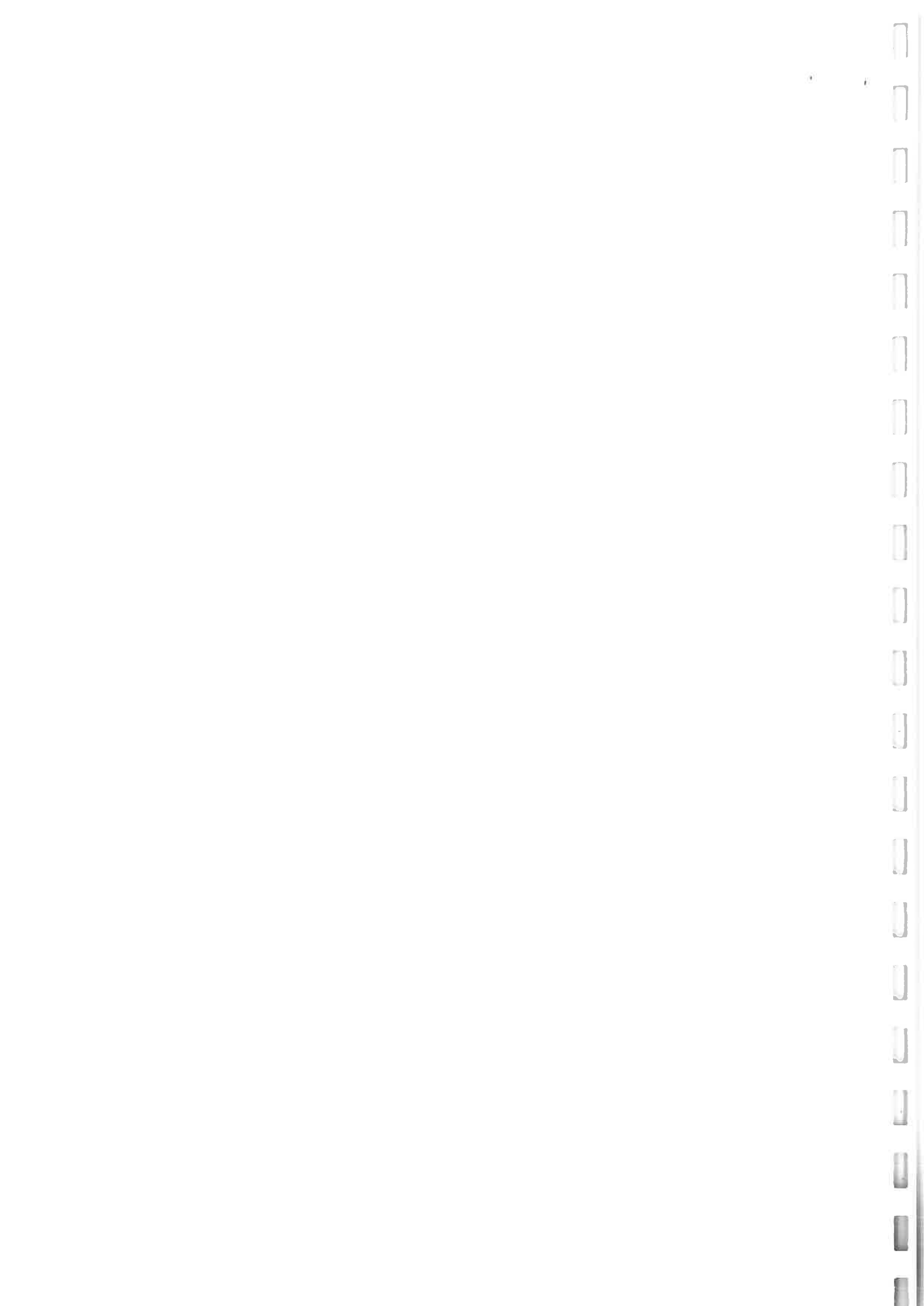
Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024





<p>1.3 Additions</p> <p><i>Weakness</i></p> <p>1.3.1 During the year the Local Council had a number of additions pertaining to the new Council Premises amounting to Eur 334,190 which were included under Office Equipment. Project is not yet completed and offices are not yet in use and thus said additions were reclassified to Assets Under Construction.</p>	
<p><i>Recommendation</i></p> <p>1.3.2 It is recommended that the council ensures that proper disclosures and classifications are carried out in order not to distort the presentation of accounts balances and misstating the income statement with incorrect depreciation charge.</p>	
<p>2 FINANCE LEASES</p> <p><i>Weakness</i></p> <p>2.1 During our review of other areas in the financial statements, we also noted that the Council correctly accounted for Right of Use assets under IFRS 16. However, we were not provided with how the internal rate of return of 3.4% was arrived at.</p>	

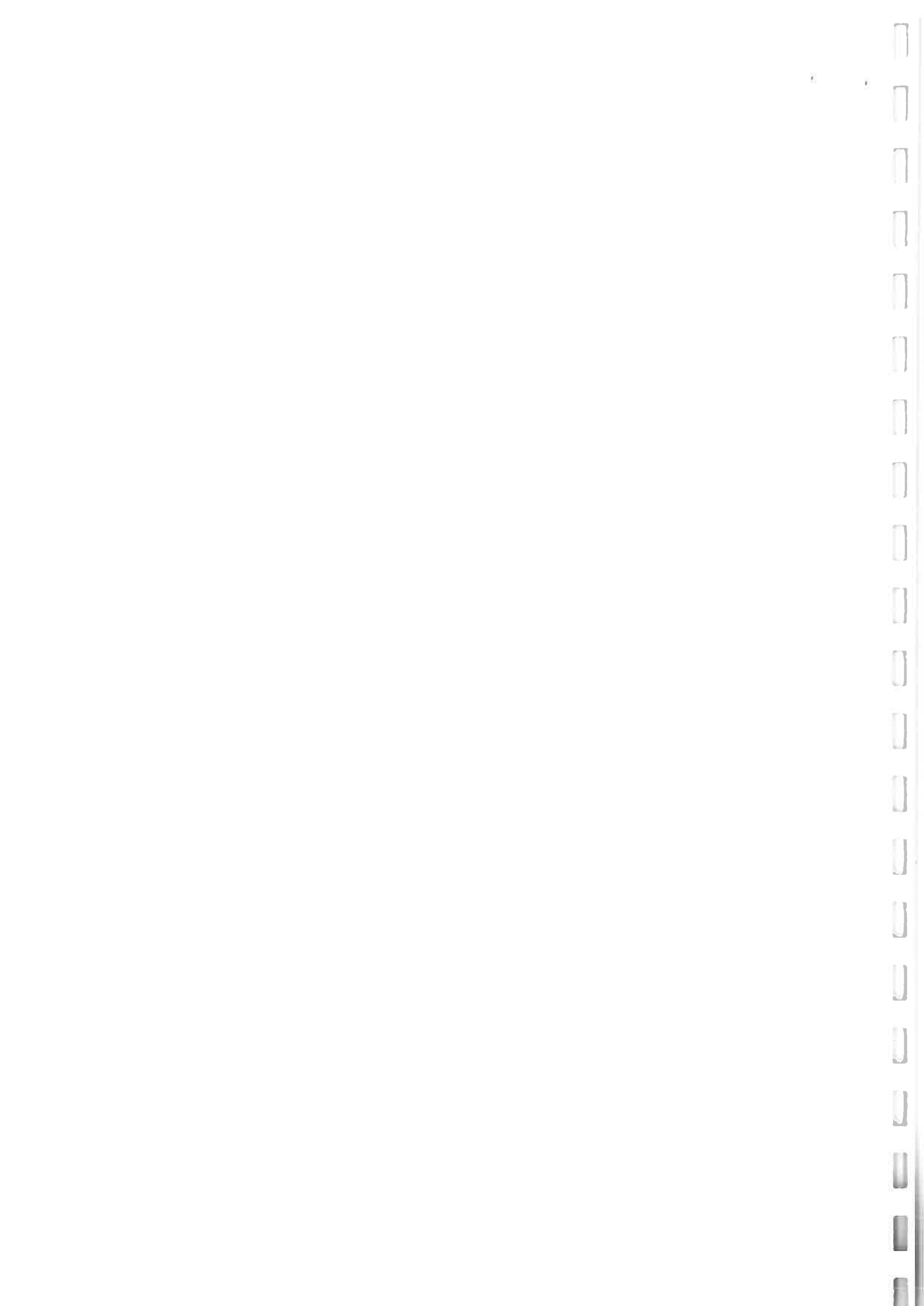
Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



	<p><i>Recommendation</i></p> <p>2.2 Since amounts for the Right of Use assets are minimal, no audit adjustments were deemed necessary to be passed at this stage. However, it is recommended that the Council should obtain understanding from the Bank lending rates to arrive at the correct internal rate if return to be used.</p>
	<p>3 RECEIVABLES</p> <p><i>Weakness</i></p> <p>3.1 We have not obtained a statement or the purchase ledger from Waste Serve Malta Ltd to confirm balances as at 31 December 2024. As in previous years, the purchase ledger was obtained from Waste Serve Malta Ltd which showed a NIL balance with the local council. In the accounts, a balance is still showing of EURO 6,778 coming from prior years.</p> <p>3.2 Whilst reconciling balance due by Regjun Punent to their books of accounts, a discrepancy of EUE 358 was found resulting from funds receivable from DLG posted incorrectly under Regjun Punent account.</p>

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024

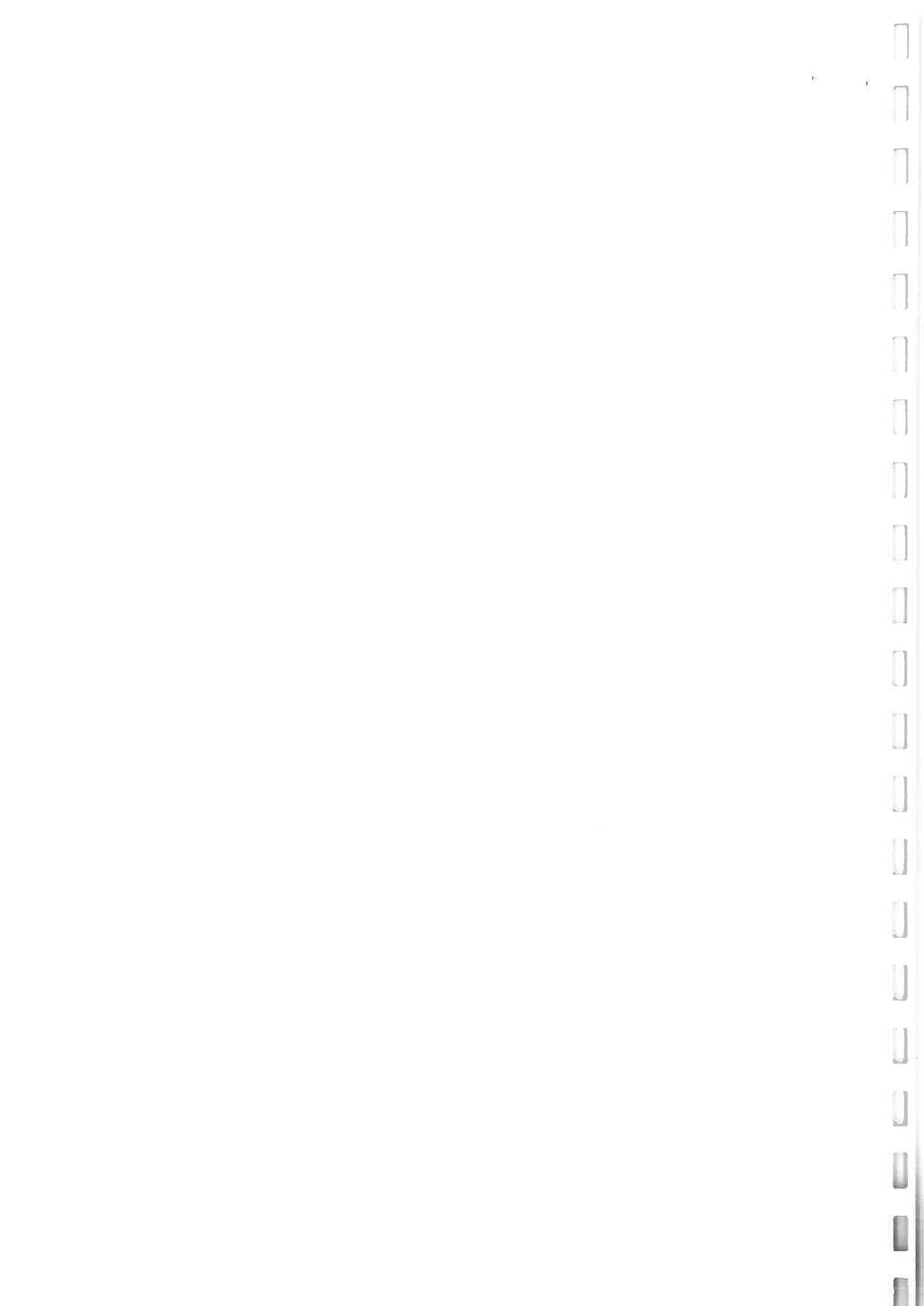




<p>3.3 Whilst testing debit transactions, it was noted that prepayments were not fully captured and accounted for mainly Insurance cost of EUR 434.65 and web domain and hosting amount to EUR 129.</p>	
<p><i>Recommendation</i></p> <p>3.4 We recommend that regular reconciliations of the amounts due are carried out to reconcile any differences in the current year.</p> <p>3.5 We recommend that whilst carrying out the posting of the debit transactions, any prepaid amounts are reclassified accordingly as otherwise costs in the nominal ledger would be overstated resulting in incorrect cut-offs and distorting the financial results.</p>	
<p>4 BANK</p> <p><i>Weakness</i></p> <p>4.1 As in previous years, the Council is including the amounts held at the Central Bank of Malta for Measure funds to be released, within Cash at bank and in hand.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024

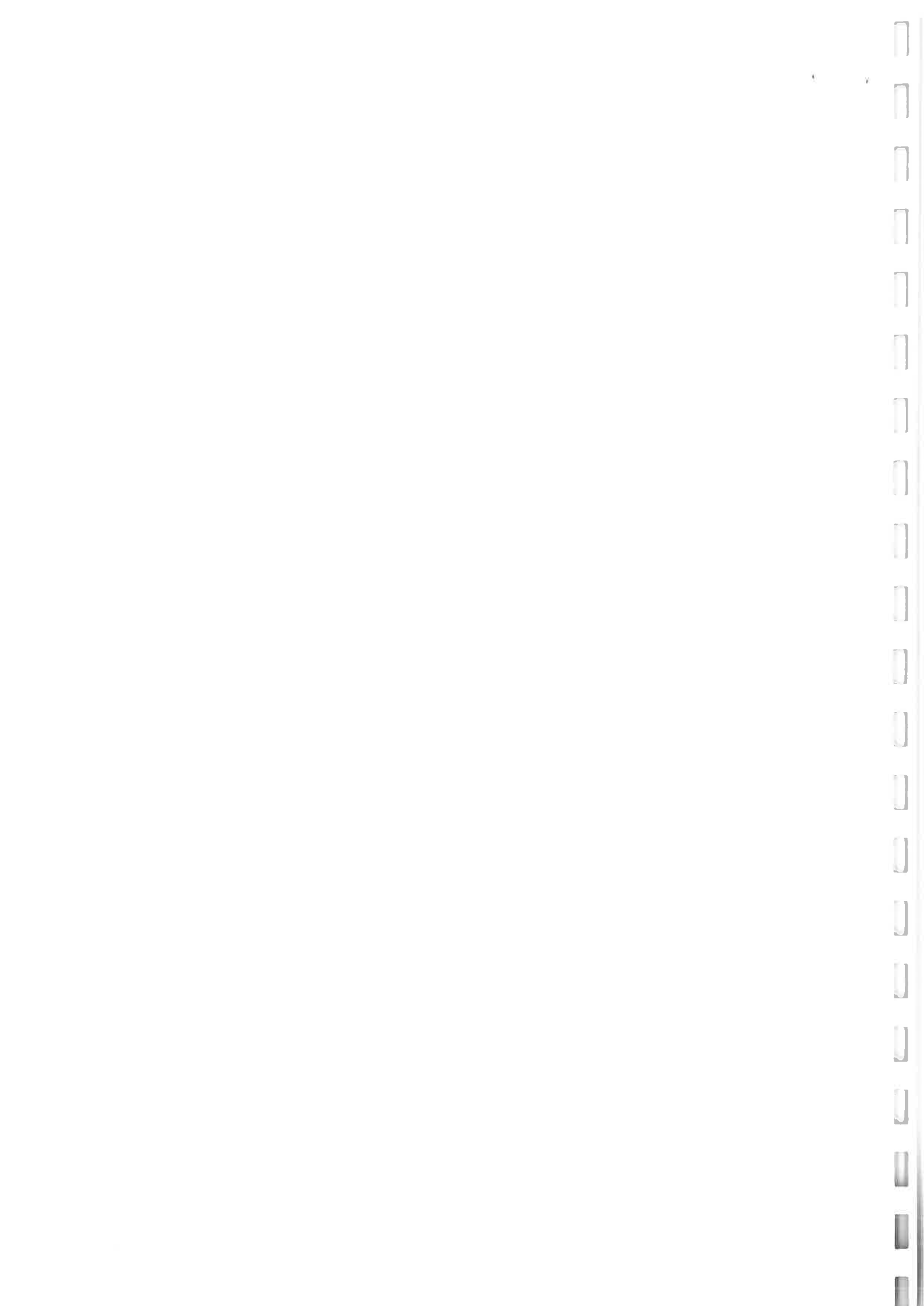




<p>4.2 Further, the Council is not keeping a proper cash reconciliation and as such presented negative cash balance of EUR 44.54 whilst in 2023 same issue was encountered having a negative balance of EUR 593.</p> <p>4.3 Included with Cash at bank and in hand, there is a balance of EUR 386.75 of 'Undeposited Funds' and no reconciliation was provided for said amounts.</p>	
<p><i>Recommendation</i></p> <p>4.4 The amounts held at the Central Bank of Malta are funds which are still to be released into the Council's bank and as such there should be segregation between the bank balances held by the Local Council and the Central Bank of Malta. The Central Bank funds are used for specific purposes.</p> <p>4.5 We recommend that weekly petty cash reconciliations are kept in order to keep proper track records of the cash inside the local council premises.</p> <p>4.6 We also recommend that all funds received are allocated and deposited accordingly. Any funds not deposited are to be reconciled on a monthly basis.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



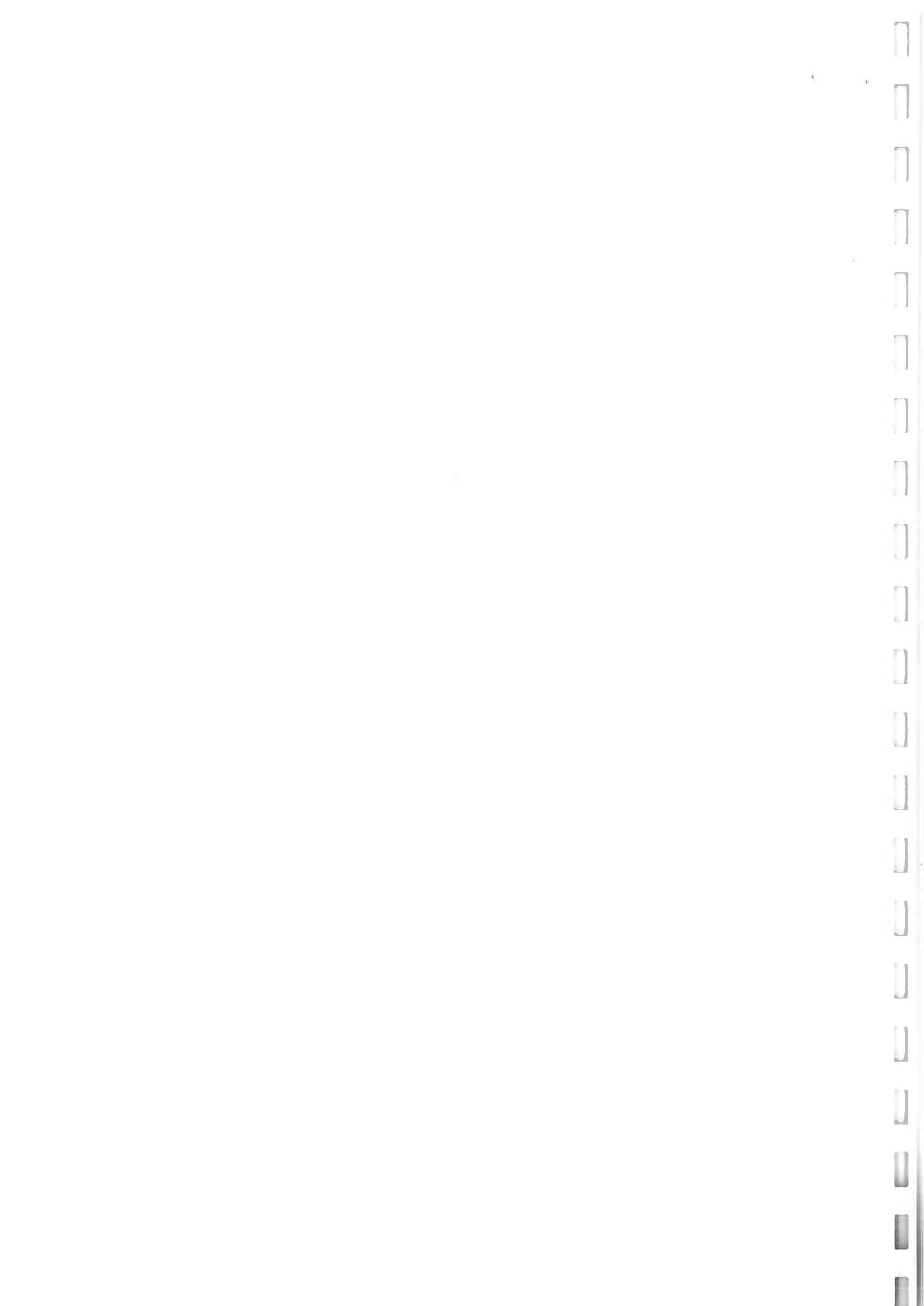


5 PAYABLES

Weakness

- 5.1 Whilst reconciling balances due to Regjun Punent to their books of accounts, balances did not agree by Eur 137.29.
- 5.2 Included with trade payables there was a balance due to A&S Ltd amounting to EUR 885 and a balance due to Ta' Seguna Folk Group amounting to Eur 250 respectively and which resulted from invoices being entered twice in 2023.
- 5.3 Whilst reconciling balance due to ARMS Ltd, a discrepancy of Eur 5,955 was noted resulting from double invoices posted in the nominal ledger in previous years.
- 5.4 Whilst testing debit transactions, it was noted that accruals were not properly determined, mainly in relation to cleaning of the public convenience amounting to EUR 1,965.68, staff salaries of Eur 1,643 and staff bonuses of Eur 903. Further, road street cleaning invoices are not being issued in a timely matter. The last invoice issued was for July 2024 and accruals were based on said invoice. Invoices were not yet issued till the date of the audit fieldwork.

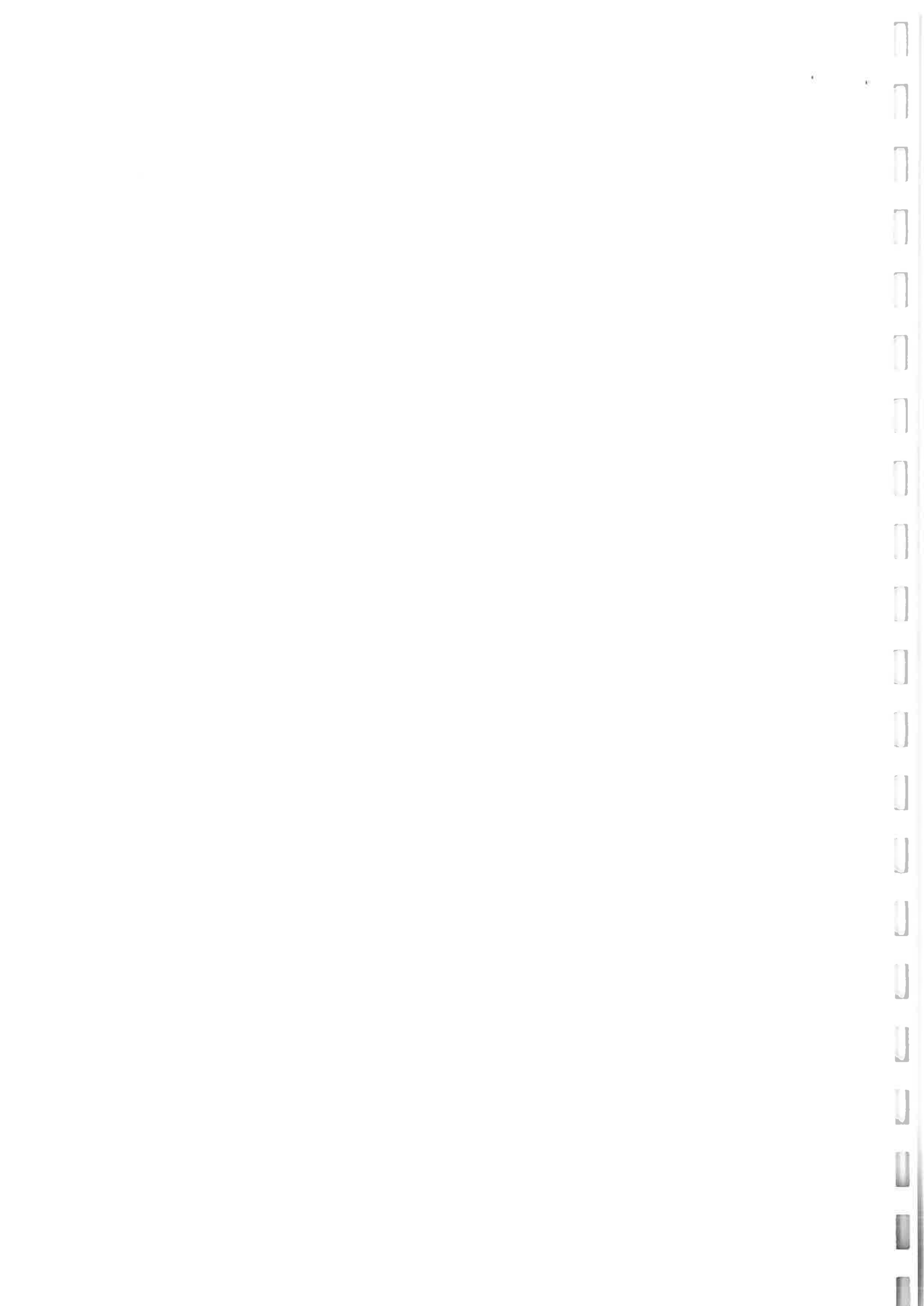
Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



<p><i>Recommendation</i></p> <p>5.6 The Local council should review any balances due and reconciles ongoingly. Any long outstanding amounts should be resolved and differences adjusted for.</p> <p>5.7 We recommend that whilst determining accruals for the year, the accountant should review invoices received after year and provide for a provision as otherwise the financial statements will show incorrect financial figures.</p>	
<p>6 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES</p> <p><i>Weakness</i></p> <p>6.1 The very nature of Local Council business warrants a close look at Capital commitments at the year end, particularly in relation to those projects approved by Local Government, but which have been fully or partially funded, and which project works the Local Council contracted for, at the year end. There is no consideration of these potential liabilities at year end. These were not provided at the time of the audit and we had to await from the Council to provide the revised financial statements.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024

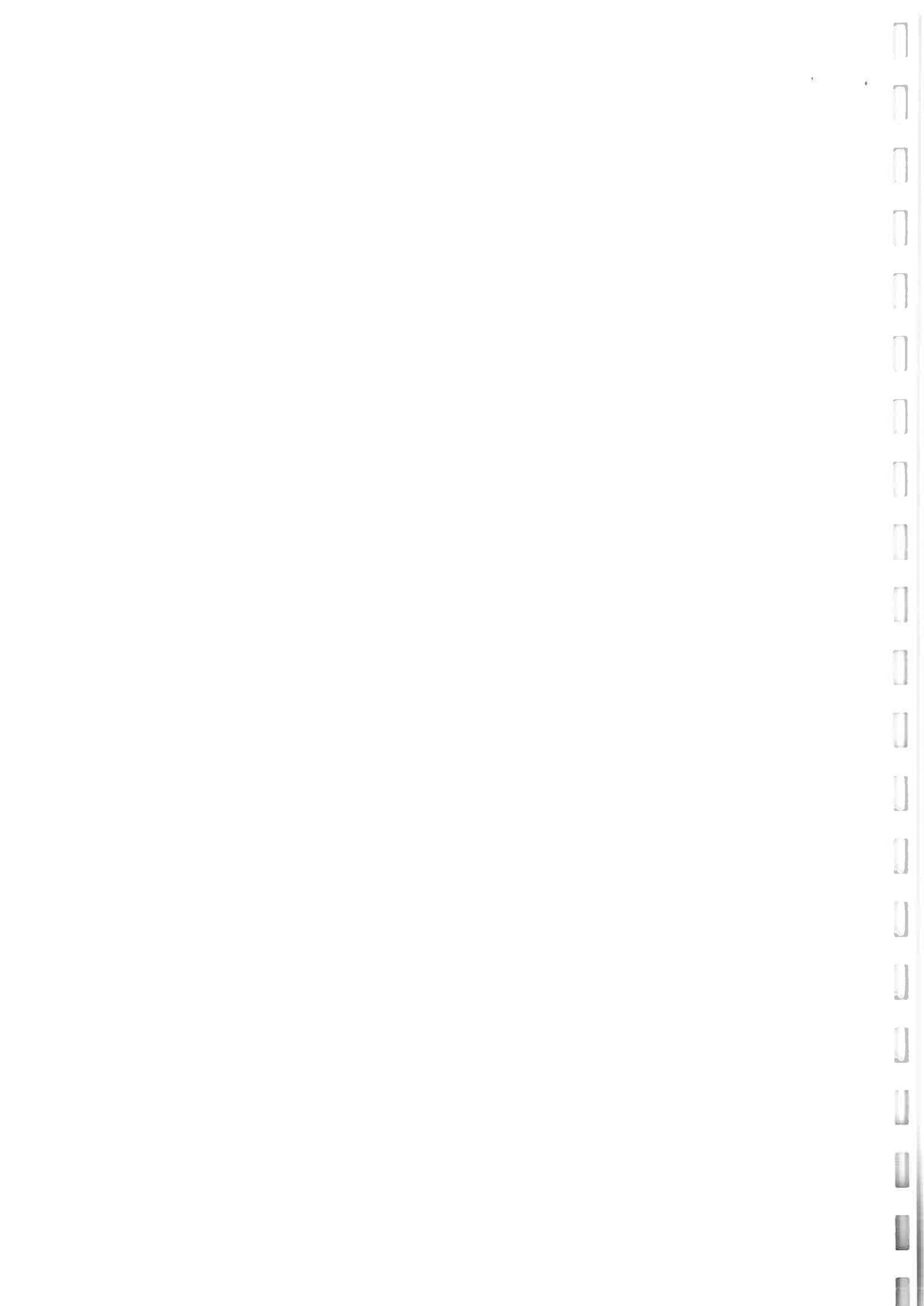




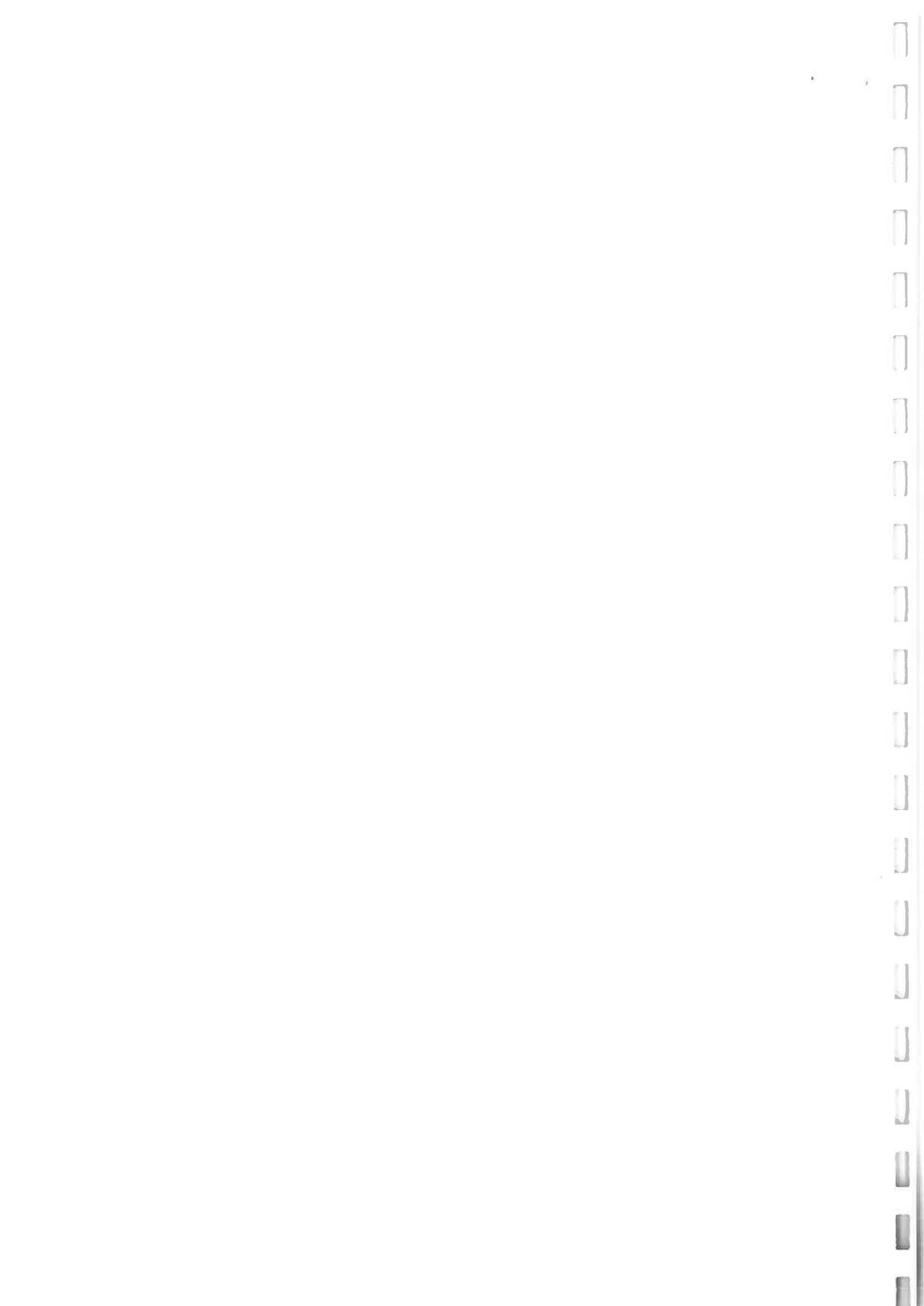
<p>Recommendation</p> <p>4.4 It is imperative to determine these potential liabilities not only to ensure the correctness and completeness of the liabilities disclosed in the financial statements, but also to raise awareness of other constraints which can adversely impinge on the Council's cash flows. During the year we have noted that no capital commitments were disclosed in the financial statements. Even though we were provided with details of projects contracted for, mainly project of Playing field Nicolò Communit, Capital Project in relation to the Local Council premises and Restoration works at the old hospital, no amounts were provided and could not be quantified for proper disclosure.</p>	
<p>7 REVENUE</p> <p>7.1 Income from LESA</p> <p><i>Weakness</i></p> <p>7.1.1 The Council collects receipts on behalf of third parties, mainly LESA, which then needs to pay back to these third parties. The amount of € 434 is still showing as income under the Council's financial statements. These are not kept separately from other Local Council funds and are not reconciled to third parties.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



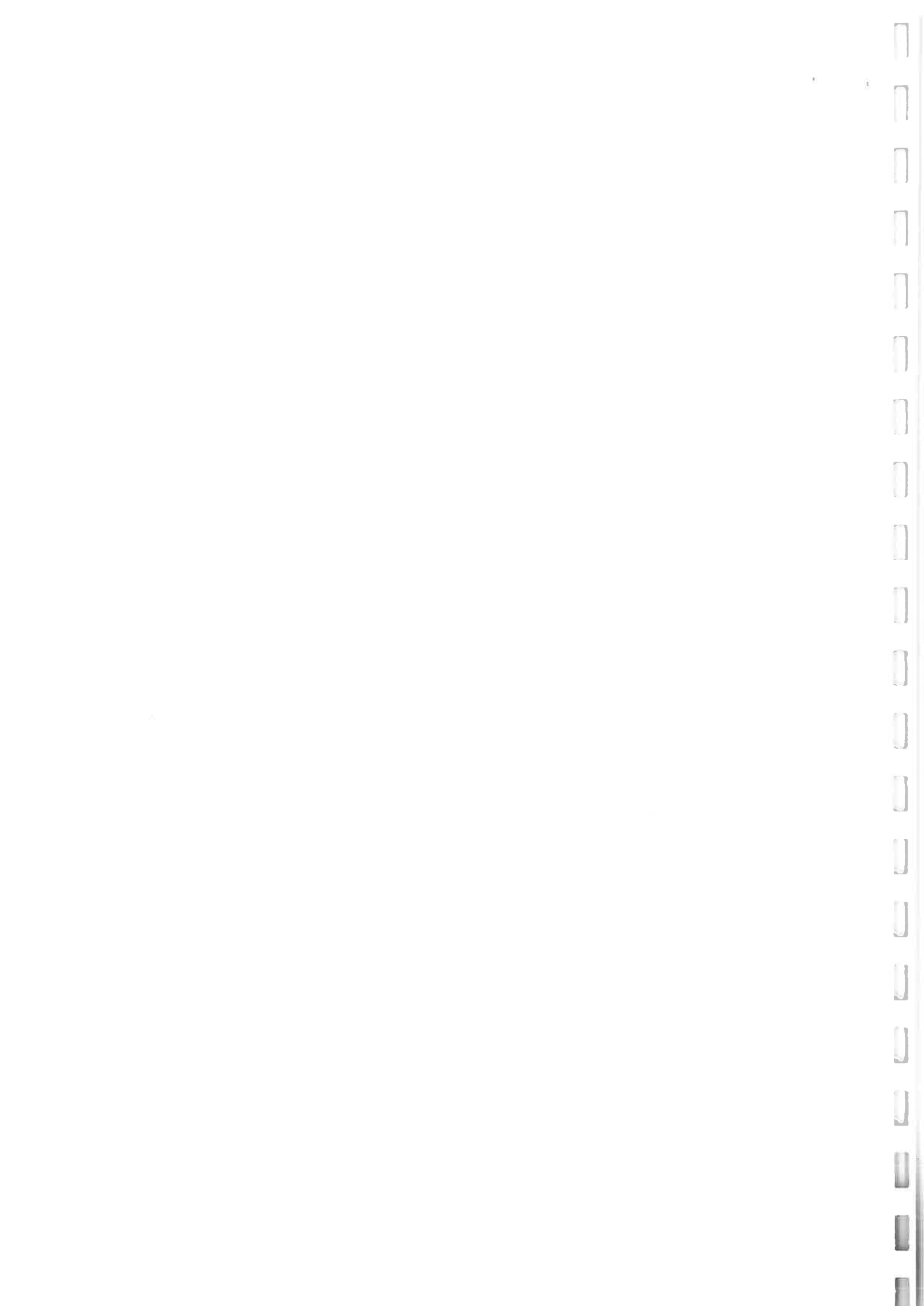


<p>7.1.2 Further whilst performing a control test between LESA report to the Council's record in the accounting system, an overall difference of € 967 resulted higher in nominal ledger from other income received from LESA pertaining to CCTV schemes and contraventions of previous years.</p>	
<p><i>Recommendation</i></p> <p>7.1.3 It is recommended that proper reconciliation and record of such amounts received on behalf of third parties is kept and reconciled monthly. Further proper classification of income should be disclosed in the financial statements.</p>	
<p>8 DEBIT TRANSACTIONS</p> <p><i>Weakness</i></p> <p>4.4 Whilst verifying Administrative costs it was noted that the Council was not adhering to the Procurement procedures and 3 quotes were not always being attained, either because these were not requested and/or because no replies were being received. Such instances occurred in the following transactions we have tested as part of our auditing procedures:</p>	



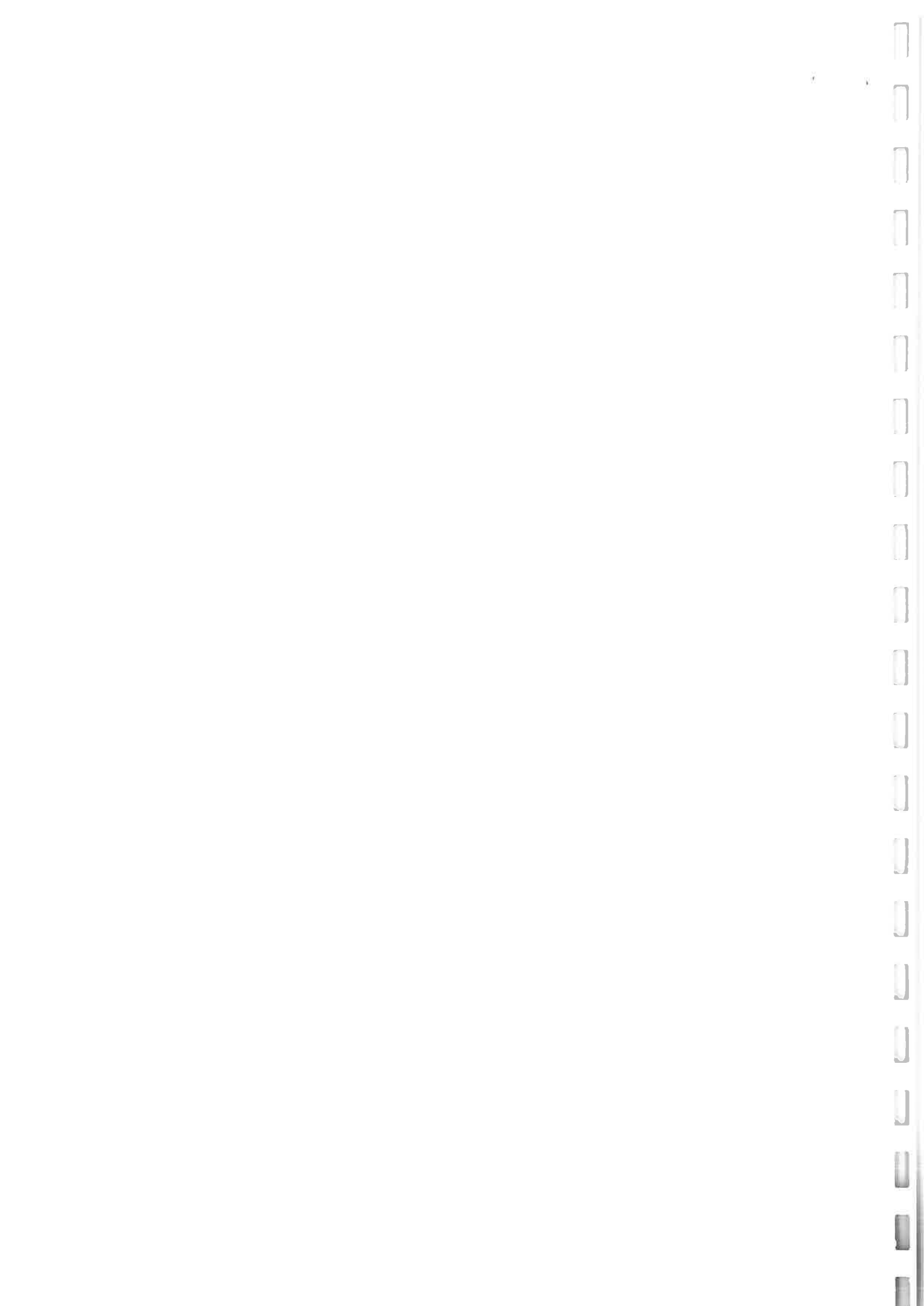
<u>Public Property</u>				
01,05/2024	18 Emanuel Magri	Manutenzjoni fil-Latrina Pubblika Wied iz-Zurrieq	535.72	(1)
09,07/2024	682 Angelo Schembri	Boring of Feasts Pole Holes	1,476.00	(1)
05,08/2024	2966 Mario Mallia	Inner Bins	552.24	(1)
05,12/2024	4583 Emanuel Magri	Various Works at Qrendi Library Toilets	4,000.00	(1)
<u>Clean & Maintenance Parks</u>				
09,12/2024	AG074 Agarden	Trimming of Palm Trees & Removal of dead tree	1,060.00	(1)
<u>Management & Operating Services</u>				
01,08/2024	INV-C-3404 Techzone	Domain name for qrendilocalcouncil.org.mt	826.00	(1)
<u>Social Events</u>				
02,05/2024	22304 Croce Bonaci	Catering Services for Books Launch	1,000	(1)

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024

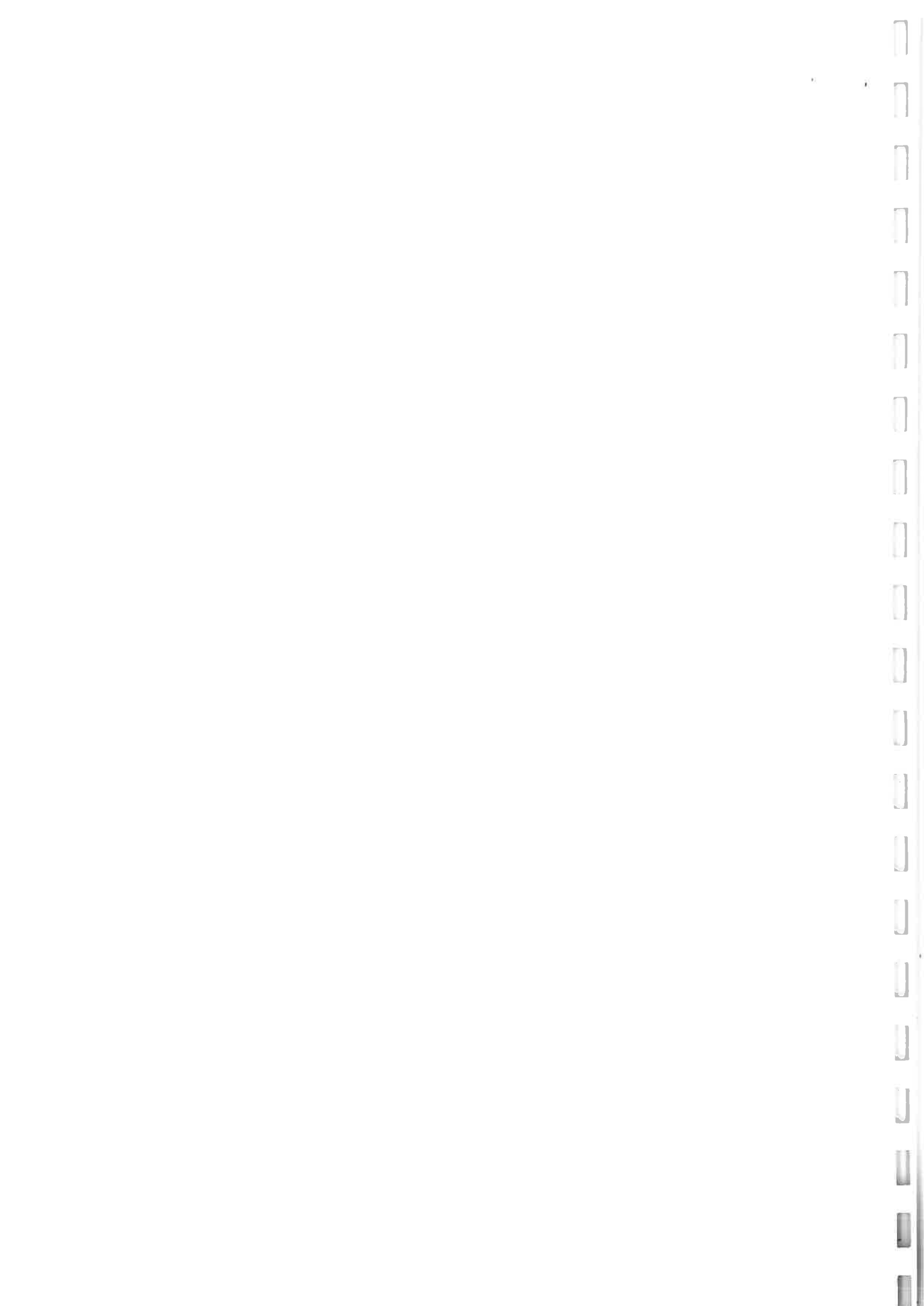


<u>Cultural Events</u>				
19/05/2024	INV-1477	Afterglow Events	Kids Animation for Festival Agrarju tal-Patata 2024	1,711 (1)
20/05/2024	INV-4080428	TEC Ltd	Various Pop Up Tents for Festival Agrarju tal-Patata 2024	3,162 (1)
21/05/2024	INV-107750	ITC	Rental of Electrical Supplies for Festival Agrarju tal-Patata Performance at Festival Agrarju tal-Patata on 19/05/2024	2,868 (1)
19/05/2024	INV-001	The Busker	Co-ordination and artistic director & Boosts on Facebook for festival agrarju	1,770 (1)
03/06/2024	INV-24-007	Malta Transient Light & Sound	Hiring of Light & Sound Services for Rjeh fil-Qolla	2,599.96 (1)
26/11/2024	8678	Sound		2,755.30 (1)
Note 1: No quotations were obtained				

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



<p><i>Recommendation</i></p> <p>8.2 The Council should adhere to these procurement procedures to foster better accountability and transparency. Further, this can help the Council achieve better value for money.</p> <p>Agreement with service provider</p> <p><i>Weakness</i></p> <p>4.4 We have noted that the contract with Architect has expired in November 2023.</p> <p><i>Recommendation</i></p> <p>8.4 It is imperative for the Local Council to promptly renew any expired contracts or establish new agreements for services lacking contracts. We recommend the Local Council to implement a system for regular review of existing agreements and setting reminders for renewal processes as this will prevent future lapses and interruptions in service.</p>	
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9 PAYROLL AND HUMAN RESOURCES

9.1 Overall payroll procedures

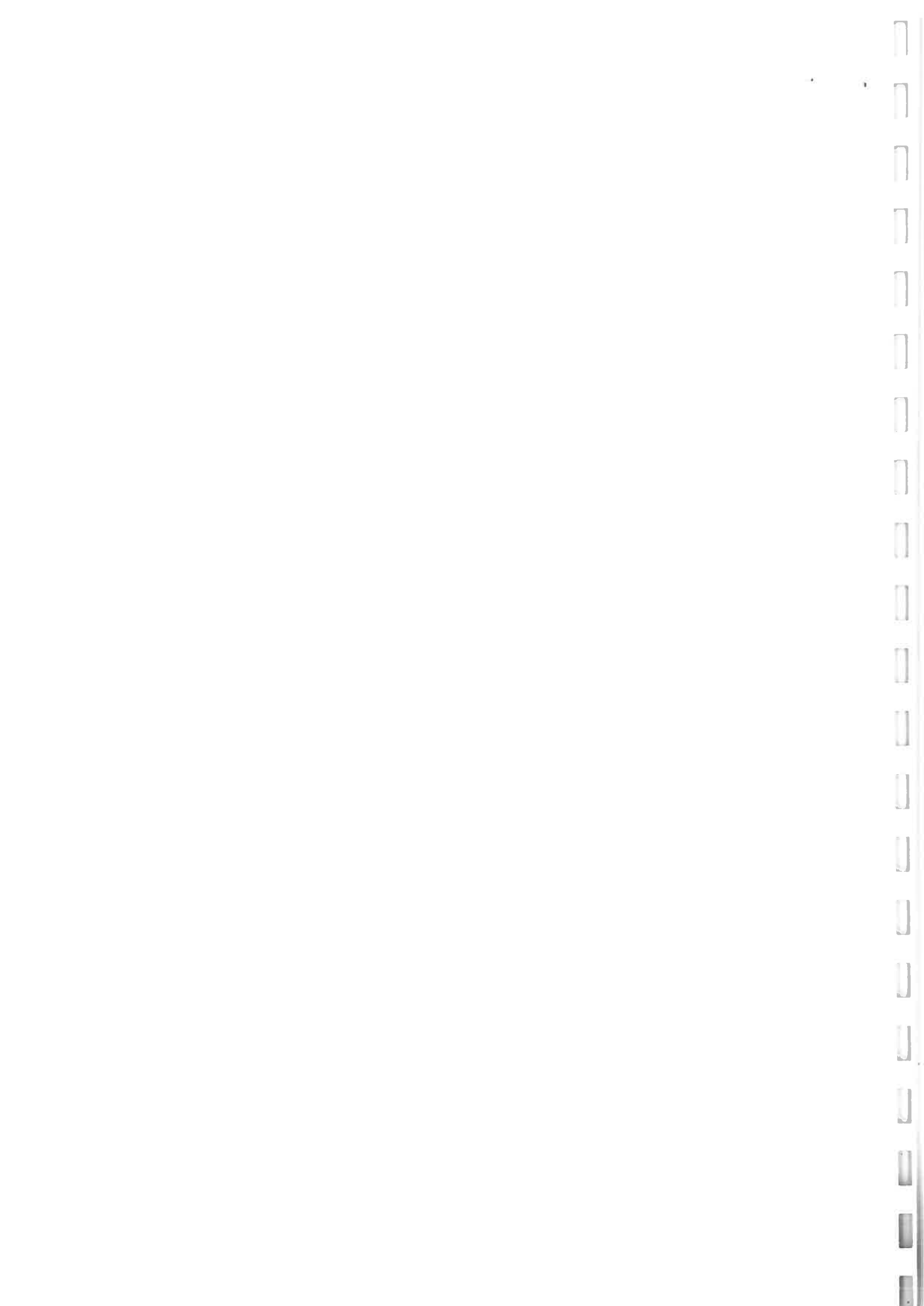
Weakness

9.1.1 Classification of salaries was not correctly reflected in the financial statements. We adjusted such amounts via an audit adjustment to correctly show the actual amounts spent on salaries, council members allowances, mayor's honoraria allowance and executive secretary's salary.

9.1.2 During the current year, an adjustment of Eur 1,643 was passed at audit level to account for additional salaries as per the new collective agreement. Further it was also noted that performance bonuses were calculated on the total gross salary including overtime, fringe benefits and other allowances instead of on the basic salary resulting in higher bonuses being paid. After revising wages and salaries as per above, the net adjustment on performance bonuses amounted to of Eur 902.78

9.1.3 Further it was noted that Gross PT Salaries of Eur 3,237 and PT Taxes of Eur 2,218 were not properly disclosed in the FS5s when compared to the Final FS3s and FS7 submitted.

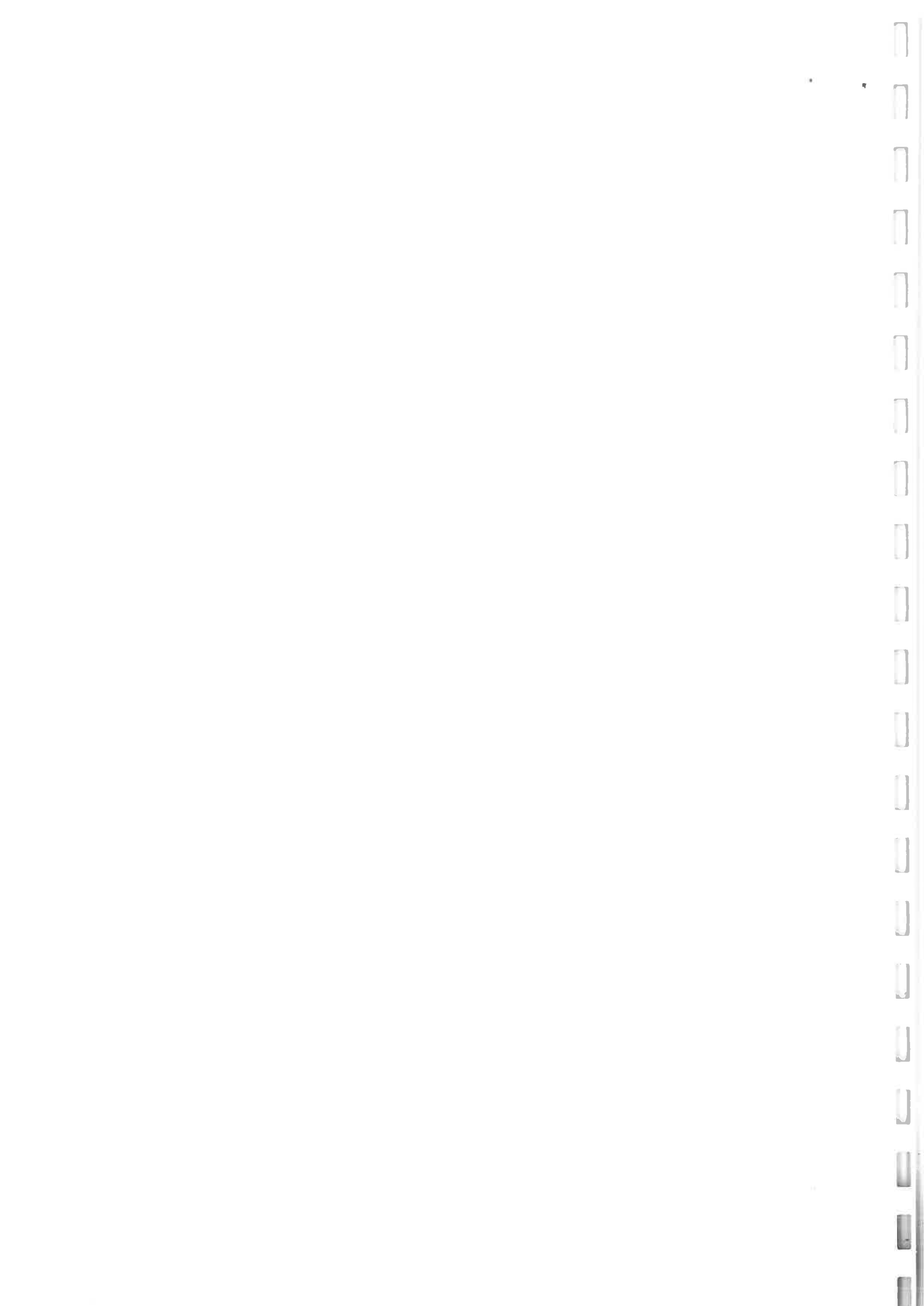
Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



<p><i>Recommendation</i></p> <p>9.1.4 Whilst performing salaries reconciliation, it is important that the proper classifications are presented in the financial statements and ensuring that the mathematical correctness of the wages are done in line with the contracts.</p> <p>9.1.5 In addition, it is important that performances bonuses are worked out on the basic salary and that these are approved by the Council.</p>	
<p>10 PRESENTATION OF FINANCIAL STATEMENTS</p> <p><i>Weakness</i></p> <p>10.1 The Local Council is required to prepare financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU. During our audit, we identified that the Council's unaudited financial statements needed updated and further corrections in accordance with IFRS as adopted by the EU to reflect the recent amendments for the presentation of the financial statements.</p>	

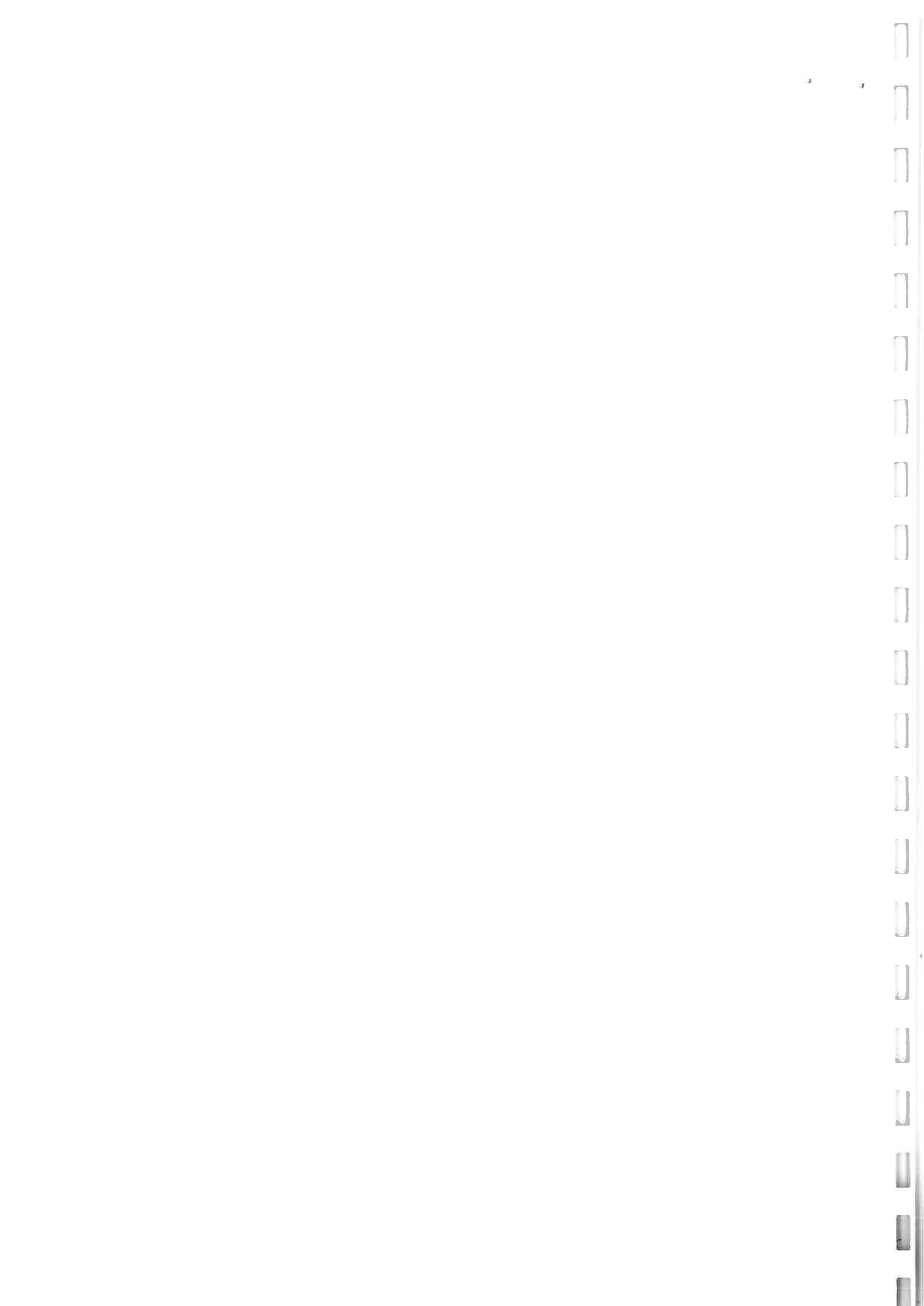
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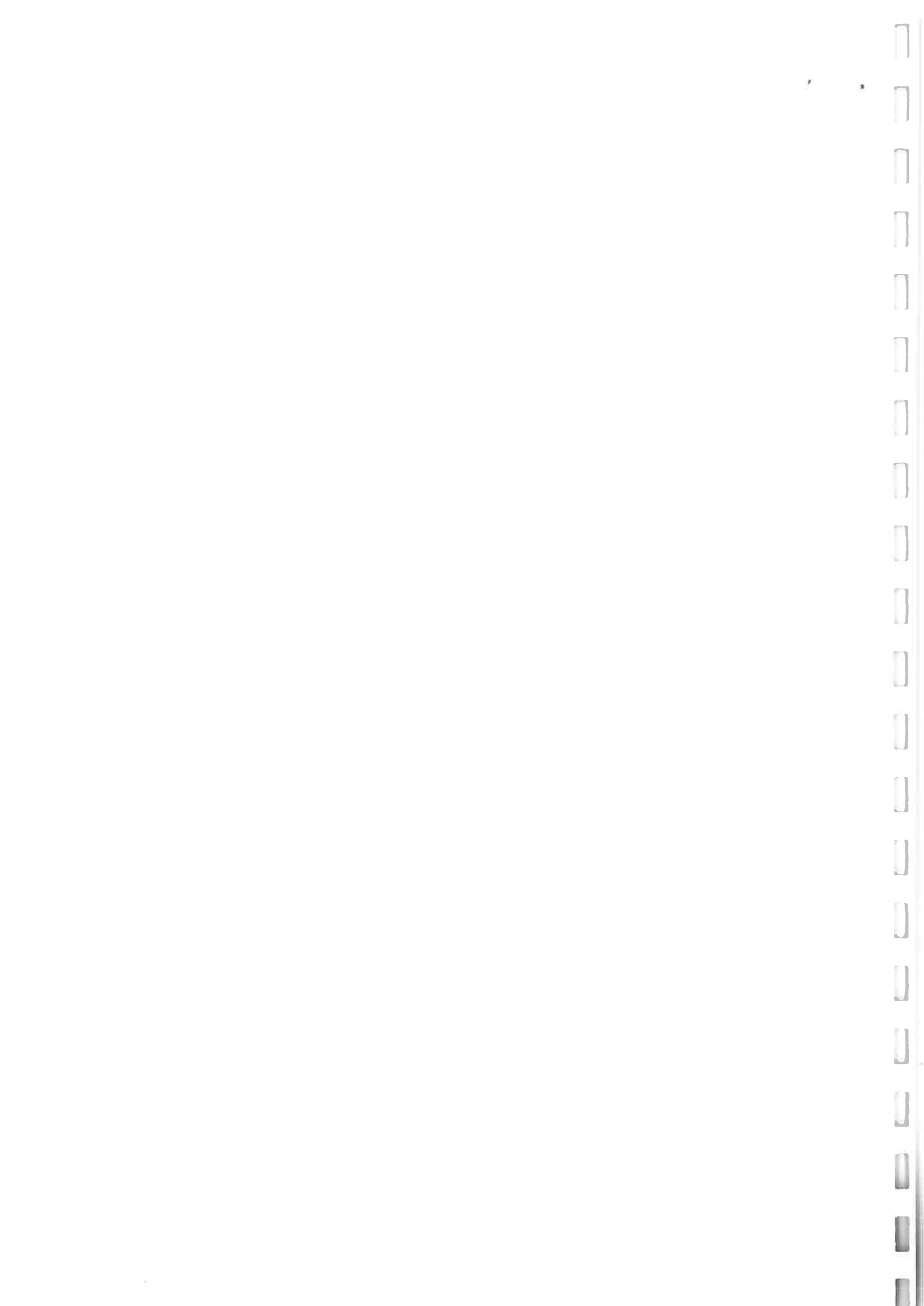


<p><i>Recommendation</i></p> <p>10.2 We recommend that the Local Council gives more attention to the preparation of the financial statements. The above shortcomings have been amended in the audited financial statements.</p>	<p>11 BOOKKEEPING AND ACCOUNTING ISSUES</p> <p><i>Weakness</i></p> <p>11.1 During the course of our audit, we encountered a number of bookkeeping and accounting issues for which we had to pass various accounting adjustments. These are further listed on the Audit Adjustment Sheet which is enclosed as Appendix 1 to this Management letter.</p> <p>11.2 The nature of the deficiencies noted in this area are various and included the following instances:</p> <ul style="list-style-type: none"> a) Inability to distinguish between Revenue and Capital Grants; b) Basic posting errors relating to the proper categorization of fixed assets under the appropriate classification resulting in the need of recalculating the depreciation and amortization charge;
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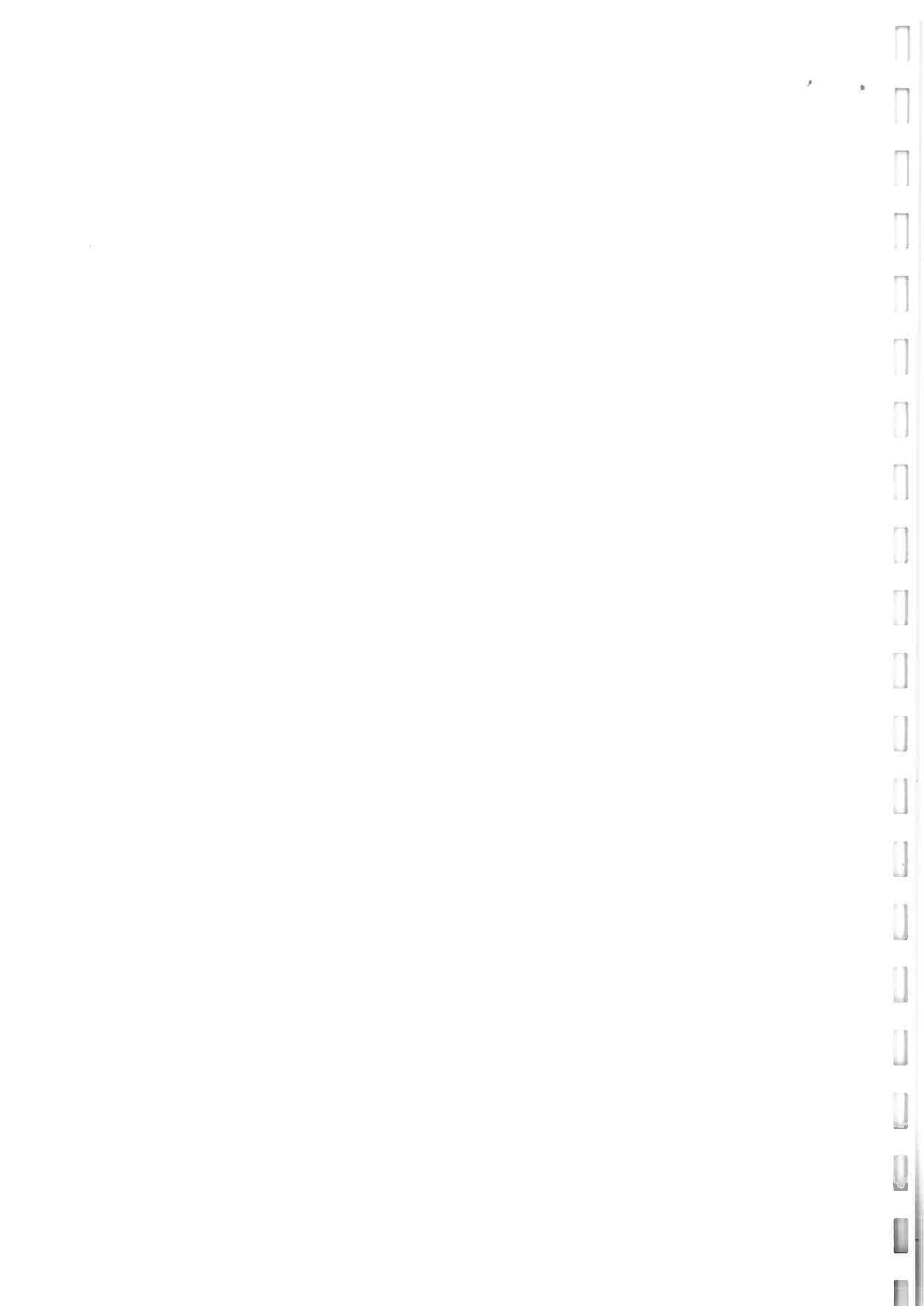


<p>c) The financial statements prepared are based on a template being made available by the Central Government. These are not amended to ensure that the accounting policies and other disclosures therein are pertinent and applicable to the Local Council in question;</p> <p>d) Reconciliation of creditors are not being carried out;</p>	
<p><i>Recommendation</i></p> <p>11.3 More attention to detail is necessary to ensure consistency and accuracy both at the transaction entry stage as well in the financial reporting of these transactions. The expertise and competence of the accountant in the keeping of the accounting records as well as the preparation of the financial statements is critical for the Local Council to obtain comfort in the reliability and accuracy of the financial statements and avoid similar inaccuracies as noted in para 11.2 (a) to (d).</p> <p>11.4 It is strongly recommended that the accounting of the Council's affairs is discussed periodically at a meeting set up for this purpose. This will give council the opportunity to meet the accountant, to review and discuss the Council's financial affairs at an interim stage, and to enable it to address accounting issues on an ongoing basis.</p>	



<p>12 OTHER MATTERS</p> <p><i>Weakness</i></p> <p>12.1 We have observed that the Local Council is not uploading the necessary documentation, such as audited financial statements, management letters, annual budgets, minutes of council meetings, and other publications, to the Local Government portal. This omission impacts the transparency and accountability of the Local Council's operations. The lack of accessible documentation hinders stakeholders, including residents, auditors, and government entities, from reviewing the Council's financial health, governance practices, and decision-making processes.</p>	
<p><i>Recommendation</i></p> <p>12.2 We recommend that the Local Council establish a clear and consistent process for uploading all necessary documentation to the Local Government portal. This should involve designating a responsible staff member or team, implementing a schedule for regular updates to ensure prompt uploads of documents, and conducting periodic compliance checks to maintain up-to-date records.</p> <p>12.3 We encourage deeper analysis of accounting figures presented to the Council, not only by looking and obtaining explanations for anomalies (particularly in regard to Administrative and Operating expenses) but also relating certain costs to related revenue streams (e.g. Cultural</p>	

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



<p>event and Community activities costs related to revenue generated from these activities). In other words, the Council should look at reasonableness of accounting figures presented to them.</p> <p>12.4 More robust internal control procedures should be encouraged on an ongoing basis. These tests should be ongoing, supported by regular reports to the Board Council on any weaknesses found in the systems. Only this and the timely reaction to these findings will ensure that robustness of the systems is in place.</p> <p>12.5 Last but not least, the Council should ensure full compliance with other Rules and Regulations (e.g. Health and Safety, Planning Authority, Personal Data Protection etc.) It should encourage regular reviews to ensure that the respective regulations are in place</p>	
<p>13 CONCLUSIONS</p> <p>13.1 We have noted that good internal procedures are being instilled by the Council. The Council and its employees should continue to strive to achieve a good control environment by ensuring that optimum use of public funds.</p> <p>13.2 We would be pleased to assist the Council to come up with an action plan, with clearly set target dates and by which the Council will address the weaknesses reported in this report. We are at your disposal should you need our assistance in any of the specific areas referred to in this report.</p>	

Deficiencies noted in the course of our audit of the financial statements of the Qrendi Local Council for the year ended 31 December 2024



